

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 PM-04 H-01 INR-07 L-03 NSAE-00  
NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 SIL-01 LAB-04  
EB-08 TRSE-00 OMB-01 MMO-01 /070 W  
-----100955Z 102101 /12

R 100831Z MAR 77  
FM AMEMBASSY TOKYO  
TO SECSTATE WASHDC 6043  
SECDEF WASHDC  
INFO COMUSJAPAN YOKOTA AB JAPAN  
USARJ CAMP ZAMA JAPAN  
COMNAVFORJAPAN YOKOSUKA NB JAPAN  
5TH AF YOKOTA AB JAPAN  
CINCPAC HONOLULU HAWAII

C O N F I D E N T I A L SECTION 1 OF 2 TOKYO 3406

JOINT EMBASSY-US FORCES MESSAGE

CINCPAC ALSO FOR POLAD

E. O. 11652: GDS  
TAGS: MARR, JA  
SUBJ: LABOR-COST SHARING NEGOTIATION

SUMMARY: FOLLOWING DECEMBER 1976 SUBMISSION TO JOINT COMMITTEE OF  
FACT-FINDING STUDY AND IDENTIFICATION OF AREAS WHERE IMMEDIATE  
COST RELIEF MIGHT BE FEASIBLE, US AND JAPANESE SIDES HAVE NAMED  
NEGOTIATING TEAMS, WHICH PLAN TO BEGIN DISCUSSIONS SHORTLY. WE  
ANTICIPATE POSITIONS OF TWO SIDES WILL BE FAR APART. JAPANESE  
LIKELY TO BE AMENABLE TO ASSUMING SOME OR ALL OF BURDEN FOR SOC-  
IAL INSURANCE AND ADMINISTRATIVE EXPENSES, WHEREAS WE WILL SEEK  
SUBSTANTIAL RELIEF FOR RETIREMENT ALLOWANCE, AS WELL AS 10 PER-  
CENT DIFFERENTIAL AND OTHER AREAS WHERE US COSTS EXCEED PREVAIL-  
ING PRACTICE. THIS MESSAGE PROPOSES SPECIFIC NEGOTIATING OBJEC-  
TIVES AND TACTICS. WHILE WE ARE NOT OVERLY OPTIMISTIC ABOUT DEGREE  
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TO WHICH GOJ WILL BE FORTHCOMING, PROSPECTS FOR ACHIEVING SIGNI-  
FICANT COST RELIEF, POSSIBLY TOTALLING SEVERAL HUNDRED MILLION  
DOLLARS OVER NEXT FEW YEARS, WILL DEPEND ON US TENACITY AND GOJ  
PERCEPTION OF IMPORTANCE USG ATTACHES TO NEGOTIATIONS. END SUMMARY.

1. LAST SUMMER US AND GOJ REACHED AGREEMENT IN JOINT COMMITTEE ON  
THREE-STAGE APPROACH TO DEALING WITH US FORCES LABOR-COST PROBLEMS

IN JAPAN. AGREEMENT WAS OUTGROWTH OF PROTRACTED ANNUAL WAGE NEGOTIATIONS BETWEEN US FORCES AND DEFENSE FACILITIES ADMINISTRATION AGENCY (DFAA) IN 1974 AND 1975, DURING WHICH US FORCES SOUGHT RELIEF FROM RAPIDLY RISING LABOR COSTS. AGREEMENT ALSO REFLECTED PERSISTENT US FORCES-EMBASSY EFFORTS TO CONVINCE GOJ THAT THESE COSTS HAD SIGNIFICANT IMPLICATIONS FOR US ABILITY TO MAINTAIN FORCE STRUCTURE IN SUPPORT OF MUTUAL SECURITY INTERESTS. JOINT COMMITTEE AGREEMENT CALLED FOR THREE-STAGE APPROACH:

- (1) JOINT USFJ-DFAA FACT-FINDING STUDY OF ISSUES INVOLVED;
- (2) EXPLORATION OF AREAS WHERE IMMEDIATE COST RELIEF MIGHT BE FEASIBLE; AND FINALLY,
- (3) BASED ON ABOVE, JOINT COMMITTEE EFFORT AIMED AT WORKING OUT BY NOVEMBER 1977 A PROPOSAL FOR SOLUTION OF ISSUES INVOLVED.

2. USFJ AND DFAA COMPLETED FIRST STAGE ON NOVEMBER 1, 1976, IN WHICH ISSUES AND EACH SIDE'S VIEWS AND POSITIONS WERE FULLY EXPLAINED. USFJ STRESSED LABOR COST IMPACT ON RETIREMENT ALLOWANCE AND 10 PERCENT DIFFERENTIAL PAID ALL US FORCES EMPLOYEES AND FACT BOTH EXCEED PREVAILING PRACTICE IN JAPAN. DFAA PROPOSED (A) AUTOMATIC IMPLEMENTATION OF ANNUAL WAGE INCREASES; (B) FULL APPLICATION OF JAPAN LABOR LAW TO U.S. BASE EMPLOYEES; (C) LONG-TERM WORK FORCE PROJECTIONS TO PROMOTE LABOR STABILITY; (D) RESTRICTIONS ON US AUTHORITY TO CONTRACT FOR WORK CURRENTLY PERFORMED BY US FORCES EMPLOYEES; AND, (E) INCREASE IN USFJ HEALTH INSURANCE PREMIUMS. AS ANTICIPATED, DURING SECOND STAGE USFJ AND DFAA EXPLORED BUT DID NOT AGREE ON MEASURES TO RESOLVE PROBLEMS DEFINED IN STUDY SINCE DFAA WAS COMMITTED TO PRESERVE ALL EMPLOYEE BENEFITS AND FUTURE EXPECTATIONS AND DID NOT HAVE AUTHORITY TO PROPOSE OR AGREE TO COST SHARING. THIS STAGE WAS COMPLETED 1 DECEMBER 1976 WITH SUB-CONFIDENTIAL

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MISSION OF STUDY REPORT TO US-JAPAN JOINT COMMITTEE. CINCPAC HAS FORWARDED COPY OF STUDY TO OSD. THIRD CRUCIAL STAGE IS ABOUT TO BEGIN. JOINT COMMITTEE HAS ORGANIZED WORKING GROUP CHAIRED BY AMERICAN AFFAIRS DEPUTY DIRGEN ASAO AND POL COUNSELOR. WE HAVE SOUGHT INITIAL MEETING OF WORKING GROUP AS SOON AS POSSIBLE AT WHICH WE PROPOSE TO OUTLINE GENERALLY OUR EXPECTATIONS. OUR TACTICAL APPROACH TO THESE NEGOTIATIONS FOLLOWS.

3. GENERAL OBJECTIVES. WE SEE TWO GENERAL OBJECTIVES IN COMING NEGOTIATIONS: (A) MAXIMUM POSSIBLE RELIEF FROM LABOR COSTS (B) PRECEDENT FOR ADDITIONAL RELIEF IN FUTURE AND POSSIBLE SUBSEQUENT APPROACH ON BROADER "BURDEN SHARING". WHILE "BURDEN SHARING" IS NOT POLITICALLY ACCEPTABLE IN JAPANESE VOCABULARY--AND WE WILL STUDIOUSLY AVOID IT--WE HAVE IN MIND POSSIBLE FUTURE ASSISTANCE IN MEETING JAPANESE ENVIRONMENTAL CONCERNS AND HELP WITH FACILITIES OUTSIDE OF OHIRA FORMULA. WE WILL ATTEMPT TO OBTAIN OUR OBJECTIVES WITHOUT JEOPARDY TO JAPANESE SELF DEFENSE FORCE BUDGET.

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C O N F I D E N T I A L SECTION 2 OF 2 TOKYO 3406

JOINT EMBASSY-US FORCES MESSAGE

CINCPAC ALSO FOR POLAD

4. WE PROPOSE AS INITIAL NEGOTIATING POSITION TO REQUEST ROLLOV-  
ING GOJ ASSISTANCE:

(A) RETIREMENT ALLOWANCE. US OBLIGATIONS TO MEET FUTURE RETIRE-  
MENT ALLOWANCE PAYMENTS TOTAL \$400 MILLION AND ARE LIKELY TO DOUBLE  
IN NEXT FIVE YEARS. AS OPENING PROPOSAL ON THIS MOST TROUBLESOME  
LABOR COST, WE WILL ASK JAPANESE TO ASSUME FINANCIAL RESPONSIBILITY  
FOR FUTURE RETIREMENT PAYMENTS. (WE WILL BE ASSEMBLING ESTIMATES  
ON WHAT TIS IS LIKELY TO SAVE USG ON ANNUAL BASIS, PROJECTIONS  
THAT NECESSARILY INVOLVE ASSUMPTIONS ABOUT FUTURE WORK FORCE STRE-  
NGTHS.) WE DO NOT ANTICIPATE JAPANESE WILL TAKE KINDLY TO THIS PRO-  
POSAL, ESPECIALLY INASMUCH AS JAPANESE BELIEVE US HAS ALREADY ACC-  
EPTED OBLIGATIONS. (AT LATE STAGE WE MIGHT INTRODUCE PRESENT-VALUE  
CONCEPT, WHEREBY JAPANESE WOULD ASSUME FUTURE RETIREMENT-PAYMENT  
OBLIGATIONS IN RETURN FOR TURNOVER OF DISCOUNTED PORTION OF US OB-  
LIGATIONS. WHETHER OR NOT SUCH A TRANSACTION WOULD BE OF REAL FIN-  
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ANCIAL BENEFIT TO US WOULD OF COURSE DEPEND ON PRECISE TERMS, AND WE WOULD WANT TO PROCEED WITH CONSIDERABLE CAUTION.) FAILING JAPANESE WILLINGNESS TO LIQUIDATE PAST OBLIGATIONS, WE PROPOSE TO ASK FOJ TO RELIEVE US OF FUTURE OBLIGATION TO BUDGET RETIREMENT FUNDS; US WOULD REMAIN LIABLE FOR PAST COMMITMENTS.

IN ARGUING FOR ABOVE MAXIMUM POSITIONS, WE WILL POINT OUT THAT RETIREMENT COSTS HAVE RISEN AT MUCH STEEPER RATE IN JAPAN THAN IN US, AND THAT FUNDS ARE SPENT IN JAPAN, HELPING TO STIMULATE JAPANESE ECONOMY, WITH NO BENEFIT TO US ECONOMY.

(B) SOCIAL INSURANCE AND ADMINISTRATIVE EXPENSES. GOJ ASSUME COST OF VARIOUS MINOR SOCIAL INSURANCE PROGRAMS SUCH AS WORKMENS COMPENSATION, HEALTH INSURANCE AND WELFARE ANNUITY AS WELL AS COSTS ASSOCIATED WITH ADMINISTERING PRESENT LABOR ARRANGEMENTS. THESE COSTS NOW TOTAL ABOUT \$19 MILLION PER YEAR.

(C) PREVAILING PRACTICES. GOJ RELIEVE US OF COSTS OF THOSE PORTIONS OF CURRENT LABOR ARRANGEMENTS WHICH EXCEED GENERALLY PREVAILING PRACTICE IN JAPAN. MOST OBVIOUS OF THESE IS 10 PERCENT DIFFERENTIAL PAID TO ALL US FORCES EMPLOYEES. ACHIEVEMENT OF FULL WAGE COMPARABILITY WITH PREVAILING PRACTICES COULD RESULT IN ANNUAL AVERAGE SAVINGS OF MORE THAN \$60 MILLION.

WE WILL MAKE IT CLEAR THAT IT IS NOT OUR INTENTION TO REDUCE THE INCOME OR EXPECTATIONS OF PRESENT EMPLOYEES. ALTHOUGH THE TERMS OF EMPLOYMENT OF NEW EMPLOYEES MIGHT BE CHANGED, OUR BASIC OBJECTIVE WILL BE TO HAVE GOJ ASSUME COST OF RELIEF.

5. IN ADDITION TO THESE SPECIFIC REQUESTS, WE PROPOSE EXPLORING WITH GOJ ALTERNATIVE METHODS OF PERFORMING FUNCTIONS WHICH CANNOT BE ACCOMPLISHED ECONOMICALLY UNDER EXISTING LABOR ARRANGEMENTS. GOJ HAS STRENUOUSLY RESISTED IDEA OF TRANSFERRING TO PRIVATE CONTRACTORS CERTAIN FUNCTIONS SUCH AS BASE SECURITY, LAUNDRY SERVICES AND MESS HALL OPERATIONS. IN ADDITION TO CONTRACTING, WE INTEND ALSO TO EXPLORE POSSIBILITY OF GOJ ASSUMING COST OR PERFORMANCE OF CERTAIN FUNCTIONS SUCH AS POLICE AND FIRE PROTECTION, WHICH NOW ACCOUNT FOR 10 PERCENT OF US FORCES JAPANESE LABOR FORCE. AT MINIMUM WE WOULD HOPE TO PERSUADE JAPANESE TO TAKE ON THESE COSTS AT JOINT-USE FACILITIES.

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6. GOJ OBJECTIVES. IN EXCHANGE FOR OFFER OF SUBSTANTIAL LABOR COST SHARING GOJ WILL NO DOUBT EXPECT SOME QUID-PRO-QUO CONCESSION FROM US. MOST LIKELY GOJ OBJECTIVES ARE THE FIVE DFAA PROPOSALS LISTED IN PARA 2 ABOVE, ESPECIALLY (A), (B), AND (D). US AGREEMENT ON THESE PROPOSALS WOULD DEPEND ON ASSESSMENT OF BALANCE BETWEEN COST BENEFITS AND IMPACT ON CURRENT US MANAGEMENT PREROGATIVES.

7. ASSESSMENT OF PROSPECTS. GOJ READINESS TO ENTER INTO COST-SHARING NEGOTIATIONS UNDOUBTEDLY REFLECTS DECISION TO PROVIDE SOME ASSISTANCE, BUT WE ARE NOT SURE HOW FAR GOJ IS PREPARED TO GO. ALTHOUGH WE RECEIVED SIGNALS LAST YEAR THAT FONOFF AT LEAST VIEWED

EXERCISE AS POSSIBLE FIRST STEP TOWARD BROADER BURDEN SHARING, GOJ OFFICIALS HAVE RECENTLY TRIED TO DAMPEN OUR EXPECTATIONS. NEVERTHELESS, WE BELIEVE CONDITIONS ARE RIPE TO PRESS GOJ, NOT ONLY TO ACHIEVE SIGNIFICANT LABOR-COST SHARING BUT ALSO TO PREPARE GROUND FOR FURTHER "BURDEN SHARING". WHILE IT WOULD BE UNREALISTIC TO EXPECT FULL ACHIEVEMENT OF TARGETS OUTLINED UNDER PARA 4 ABOVE, WE SEE GOOD CHANCE FOR OBTAINING SUBSTANTIAL RELIEF, PERHAPS AS MUCH AS SEVERAL \$100 MILLION OVER THE NEXT FEW YEARS. PROSPECTS FOR SIGNIFICANT SUCCESS WILL DEPEND ON TENACITY IN NEGOTIATIONS AND ON GOJ PERCEPTION OF IMPORTANCE US ATTACHES TO THIS MATTER.

8. UNLESS WASHINGTON AGENCIES PERCEIVE OBJECTIONS, WE WILL PROCEED ALONG LINES DESCRIBED ABOVE. INASMUCH AS NEGOTIATION IS TO BE CONDUCTED UNDER JOINT COMMITTEE WE ASSUME 11 FAM 723.5 AUTHORITY NOT REQUIRED.  
SHOESMITH

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## Message Attributes

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**Disposition Approved on Date:**  
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**Disposition Date:** 22 May 2009  
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**Disposition History:** n/a  
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**Disposition Remarks:**  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
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**Secure:** OPEN  
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**TAGS:** MARR, JA, US  
**To:** STATE DOD  
**Type:** TE  
**vdkgvkey:** odb://SAS/SAS.dbo.SAS\_Docs/5de63dba-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009